Naval Surface Warfare Center

Carryover

Strategies for the FY 2003 Budget

Carryover Budget Strategy

- What is Carryover?
  - Carryover = value of funded customer orders that WCF activities may carry over from one fiscal year to the next
  - Carryover is expressed both in terms of dollars and monthly equivalents
- Why is Carryover Necessary?
  - To ensure the uninterrupted flow of work across fiscal years
  - To ensure efficiency in operations
- What is the Current DoD Carryover Limitation?
  - 3 months
- Why is a Limit Necessary?
  - To minimize “banking” of funds so as to ensure high priority needs don’t go unfunded

Carryover Budget Strategy

- How is Carryover Calculated (**$**):

New Orders -Revenue -WIP -Contractual Liabilities -Exclusions = Carryover
$1,000 -$600 -$20 -$100 -$50 = $230

- How is Carryover Calculated (**Months**):

Dollar Value of Carryover / Average Monthly Revenue = Monthly Equivalent
$230 / $600/12 = 4.6 months

Note: Exclusions = BRAC, FMS, Non-DoD Orders, and WCF Orders (Less Supply)

Carryover Budget Strategy

- What Was NSWC's Actual FY 2000 Carryover?
  - Total carryover was $720 million or 3.0 months
    - Crane = $193 million or 5.0 months
    - Indian Head = $71 million or 3.1 months
    - Carderock = $152 million or 2.9 months
    - Dahlgren = $198 million or 2.6 months
    - Port Hueneme = $88 million or 2.2 months
    - NWAS = $18 million or 1.8 months
  - Had NSWC carried over an additional $11 million in orders, we would have violated DoD policy in FY 2000

- NSWC's Actual FY 2000 Execution Made Us a Prime Target of the GAO Review and the PBD 411 Directed Study

Carryover Budget Strategy

- GAO
  - Initial (informal) review began in Spring 2000
    - Result of erroneous carryover data provided to the Hill
    - Limited focus
      - Primarily Navy; other services reviewed, but on a more limited basis
      - Objective: Determine the extent to which activities complied with the 90 day carryover policy
  - Current (formal) review began in Fall 2000
    - Broad focus
      - Army, Navy, and Air Force
    - Objectives:
      - Determine the extent to which activities have complied with the 90 day carryover policy
      - Gain better understanding of basis of current policy
      - Determine reasons why carryover > 90 day limit at select activities
      - Determine impact of 30 day limit
        - » Operational impact
        - » Potential savings

Carryover Budget Strategy

- GAO (cont'd)
  - Findings
    - Review still on-going, but preliminary indications are that the report will be generally favorable to the Navy, with two possible exceptions
      - Probable change to calculation methodology which will result in a reduction in the level of funds we can carry over from year to year
        - » Had this methodology change been in place for FY 2000, NSWC would have executed 3.4 months of carryover or $85 million more than the limit
      - Possible revision to the definition of what may be included under the category of contractual liabilities
        - » Impact on NSWC has not been quantified, but would reduce the value of orders we can accept on a reimbursable basis, all other things being equal

Carryover Budget Strategy

- PBD 411
  - FY 2000 workload plan was inaccurate because actual orders received were $564 million > the budget estimate (just submitted in September/October)
  - Contractual costs surged in 4th quarter FY 2000; inference is that there was an extraordinary influx of orders late in the year
  - Has been exceptional growth in unfilled orders between FY 1997 - FY 2000
  - Conclusion: Navy has advanced funded workload
- Repercussions
  - FMB directed “Top Twenty-Five” drill
    - Examine validity of orders received
  - FMB reduction ($125 million) to FY 2001 customer orders
    - More direct cite

Carryover Budget Strategy

FY 2003 Budget

- Carryover will be a special interest item during the FY 2003 budget review
- Growth in carryover from levels approved in the FY 2002 President's Budget and from year to year must be justified
- Growth in budgeted carryover over and above FY 2000 actual levels will be disallowed unless offsetting reduction occurs at another division
- Divisions must be prepared to discuss what actions will be taken to ensure FY 2001 actual execution will come in at or below FY 2000 levels (during 30 April - 4 May reviews)
  - More direct cite
  - Increased in-house staffing (continuing workload)
  - Refuse to accept reimbursable orders late in fiscal year
- Need sound basis for value of approved exclusions